

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 OMB-01 EB-03 AF-04 PM-03 SP-02

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P R 301517Z OCT 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 9035

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 7467

LIMDIS

E.O. 11652: GDS

TAGS: PINT, PO

SUBJ: PORTUGAL: INSTABILITY

REF: LISBON 7453 (DTG 291746Z OCT 76)

SUMMARY: AS THE PS CONGRESS GETS UNDER WAY, THE SOARES GOVERNMENT SHOULD FACE NO IMMEDIATE THREAT. THE PS HAS THE CAPABILITY TO GOVERN; THE PRESIDENT IS STILL SUPPORTIVE; THE GOVERNMENT DOMINATES THE NATIONAL ASSEMBLY; AND THE MILITARY POSE NO OVERT DANGER AT PRESENT. YET THE GOVERNMENT FINDS ITSELF UNDER INCREASING PRESSURE IN A CLIMATE OF INSTABILITY AND TENSION. BOTH THE COMMUNISTS AND THE ULTRA-RIGHT, SEEING BENEFITS FROM A SOCIALIST SPLIT OR A FAILURE OF THE ADMIN-
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ISTRATION, ARE MOUNTING A CAMPAIGN TO DESTABILIZE THE GOVERN-

MENT. THE ATMOSPHERE OF INSTABILITY IS FUELED BY THE SERIOUS ECONOMIC SITUATION, FROM WHICH THE EXTREMISTS HOPE TO PROFIT. END SUMMARY.

1. GOP UNDER PRESSURE: AS THE SOCIALIST PARTY'S NATIONAL CONGRESS OPENS, THE GOVERNMENT FINDS ITSELF UNDER INCREASING PRESSURE IN A CLIMATE OF NERVOUS INSTABILITY. THE SOARES ADMINISTRATION FACES THREATS BOTH FROM WITHIN THE PS (REFTEL) AND FROM THE CRITICAL SITUATION OF THE ECONOMIC, MILITARY, AND POLITICAL ENVIRONMENTS.

2. THE ECONOMY: THE SERIOUS STATE OF THE ECONOMY SERVES AS THE PSYCHOLOGICAL MOTOR CREATING UNEASE IN THE MILITARY AND POLITICAL SECTORS. ECONOMIC ACTIVITY IS SLOW TO REVIVE -- WITH LITTLE INVESTMENT, UNEMPLOYMENT OVER 15 PERCENT, INFLATION OVER 25 PERCENT, CONTINUING INDISCIPLINE IN LABOR, AND THE BURDEN OF OVER 700,000 REFUGEES FROM THE FORMER COLONIES. THE IMMINENT EXHAUSTION OF LIQUID RESERVES IS SEEN BY THE GOVERNMENT'S OPPONENTS AS A LIKELY TRIGGER FOR THE GOVERNMENT'S DOWNFALL.

3. THE MILITARY: IN ADDITION TO BEING UNEASY, THE MILITARY REMAIN DIVIDED. THEY ARE UNPREPARED FOR A CONSTITUTIONAL, REPRESENTATIVE POLITICAL SYSTEM WHERE, HOWEVER, THEY ARE STILL THE ULTIMATE ARBITER OF POWER. THEY FEEL THE PRESSURE FROM BOTH SIDES OF THE POLITICAL SPECTRUM AND WORRY THAT THEY WILL BE "USED" BY ONE SIDE OR THE OTHER. THEY ARE FRUSTRATED BY CONTINUING RUMORS, WONDER WHAT TO DO ABOUT THE ECONOMIC SITUATION, AND ARE BESET BY INTERNAL DISSENSIONS STEMMING FROM THE GONCALVES PERIOD. AT THE SAME TIME, THEY ARE PROFESSIONALLY UNDEREMPLOYED. THEY LOOK FORWARD TO THE NEW NATO-ORIENTED MISSION OF THE ARMED FORCES, BUT THE SLOW PACE OF MODERNIZATION LEAVES THEM WITHOUT THE NECESSARY EQUIPMENT TO ACTIVELY TRAIN. AGAINST THIS BACKDROP, THE ULTRA-RIGHT IS BEGINNING TO URGE THE MILITARY TO TAKE POWER, END THE CURRENT "CHAOS AND ANARCHY," AND CREATE A "MILITARY-TECHNOCRATIC" GOVERNMENT. THE ULTRA-RIGHT'S CALL IS PERSUASIVE TO SOME ELEMENTS OF A MILITARY EDUCATED IN THE SALAZAR-CAETANO ERA AND LONG OUT OF TOUCH WITH THEIR DEMOCRATIC COLLEAGUES IN EUROPE. THE ULTRA-RIGHT IS WORKING TO CONVINCE THESE OFFICERS THAT

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FINANCIAL AND MILITARY AID FROM THE WEST WILL NOT BE AFFECTED BY A RETURN TO AUTHORITARIAN RULE.

4. RECENT INDICATORS OF MILITARY CONCERN INCLUDE THE FOLLOWING:

-- PRESIDENT EANES HAS PREPARED A CONTINGENCY PLAN WHEREBY THE SERVICE CHIEFS WILL TAKE OVER IN CASE OF HIS ASSASSINATION.

-- THE AIR FORCE HAS ARMED AIRCRAFT IN AN ALERT STATUS

AT ESPINHO AIR BASE NEAR OPORTO.

-- THE NAVY HAS BEEN ON LOW-LEVEL HEADQUARTERS ALERT IN THE LISBON AREA.

-- THE FAR-LEFT HAS SCHEDULED A MAJOR DEMONSTRATION THIS WEEKEND IN SUPPORT OF THE IMPRISONED MAJ OTELO CARVALHO, AND ONE SOURCE SAYS THAT AN ULTIMATUM HAS BEEN PRESENTED TO THE ARMY CHIEF OF STAFF DEMANDING OTELO'S RELEASE.

-- THE PROBLEM OF THE EX-RESERVIST OFFICERS HAS NOT BEEN RESOLVED.

5. THE ASSAULT ON THE SOCIALIST GOVERNMENT: THE PS MINORITY GOVERNMENT IS UNDER ASSAULT FROM BOTH ENDS OF THE POLITICAL SPECTRUM. AN EFFECTIVE RUMOR CAMPAIGN IS BEING FED BY THOSE WHO THINK THEY WILL GAIN THROUGH A SPLIT IN THE PARTY OR THE FAILURE OF THE GOVERNMENT. THE COMMUNISTS WOULD LIKE TO FORCE THE SOCIALISTS INTO A POPULAR FRONT WHEN AND IF THE GOVERNMENT STUMBLES. FAILING THAT, THE PCP WOULD ACCEPT A GONCALVES-STYLE COALITION INCLUDING THE PCP, PS, AND PSD. THE ULTRA-RIGHT LONGS FOR A RETURN TO AUTHORITARIAN RULE, AND REMAINS CONVINCED THE U.S. AND THE WEST WILL CONTINUE ECONOMIC AND MILITARY AID AFTER IT TAKES OVER. BOTH FAR LEFT AND FAR RIGHT ARE BANKING ON THE ECONOMIC CRISIS TO BRING DOWN THE SOARES GOVERNMENT AND PAVE THE WAY FOR AN EXTREMIST "SOLUTION." THEIR ACTIVE RUMOR-MONGERING CAMPAIGN IS DESIGNED TO HASTEN THIS OUTCOME. DESPITE THE RUMORS, SOARES REMAINS CONFIDENT THAT HE WILL RETAIN THE UPPER HAND AT HIS PARTY CONGRESS THIS WEEKEND. IF HIS PLANS GO WELL, HE WILL ACHIEVE FIRMER CONTROL OF THE PARTY MACHINERY, KEEP THE LEFT WING ON BOARD, AND BE IN A STRONG ENOUGH POSITION TO ENGINEER CABINET CHANGES WHICH WILL HELP MAKE HIS ECONOMIC PROGRAM GO -- SUCH AS THE OUSTER OF AGRICULTURE MINISTER CARDOSO AND/OR LABOR MINISTER CURTO.

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 OMB-01 EB-03 AF-04 PM-03 SP-02

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TO SECSTATE WASHDC PRIORITY 9036
INFO AMEMBASSY BONN
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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 7467

LIMDIS

6. THE PRESIDENT: EANES'S ROLE, STILL UNDEFINED, IS ONE OF THE KEY ELEMENTS IN THE SITUATION. THE PRESIDENT IS CONCERNED ABOUT THE SLOW PACE OF ECONOMIC RECOVERY AND THE PS FAILURE TO TAKE MORE DYNAMIC STEPS. EANES WANTS THE SOCIALISTS EITHER TO DEVELOP ENOUGH INTERNAL COHESION TO DEAL WITH THE ECONOMIC CRISIS AS A MINORITY GOVERNMENT OR, FAILING THAT, BROADEN THEIR SUPPORT THROUGH A COALITION. EANES IS BEING URGED BY SOME ADVISORS TO FORM A GOVERNMENT OF "NATIONAL SALVATION" AND/OR ASSUME A GAULLIST ROLE. THE EMBASSY BELIEVES THE PRESIDENT IS LIKELY TO BE CAUTIOUS ABOUT MOVING AGAINST THE SOARES GOVERNMENT. HIS INSTINCTS ARE DEMOCRATIC AND CONSTITUTIONAL. HE KNOWS THAT, ONCE HE INTERVENES, HE LAYS HIS PERSONAL PRESTIGE ON THE LINE. HE MAY HAVE ONLY ONE CHANCE; HE WILL NOT SPEND IT LIGHTLY.
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7. THE THREAT: OBJECTIVELY, THERE SHOULD BE NO IMMEDIATE THREAT TO THE PS GOVERNMENT. THE PS HAS THE CAPACITY TO GOVERN; THE PRESIDENT IS STILL SUPPORTIVE; THE GOVERNMENT DOMINATES THE NATIONAL ASSEMBLY; AND THE MILITARY POSE NO OVERT DANGER AT PRESENT. HOWEVER, THE RUMOR CAMPAIGN AGAINST THE PS GOVERNMENT IS TAKING ITS TOLL AND COULD PUSH THE MILITARY INTO ACTION. A MINUSCULE MILITARY FORCE CAN CAUSE AN UPHEAVAL IN PORTUGAL, AS THE SUCCESSFUL APRIL 1974 COUP AND THE ABORTIVE MARCH AND NOVEMBER 1975 COUPS SHOWED. IF A MILITARY UNIT SHOULD BE INDUCED TO MOVE, THE CONSEQUENCES FOR PORTUGAL ARE LIKELY AGAIN TO BE OUT OF PROPORTION TO THE MEANS. THIS IS THE REAL THREAT, AND THIS IS WHY THE CURRENT CLIMATE OF INSTABILITY -- WHILE IN SOME RESPECTS ARTIFICIAL -- IS DANGEROUS.
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